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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the period ended January 31, 1992

[ ] Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

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Commission File Number 000-19574

PACIFIC PHYSICIAN SERVICES, INC. /DE
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

9[illegible]
(IRS Employer Identification Number)

1826 Orange Tree Lane, Redlands, California 92374
(Address of principal executive offices, including zip code)

714/825-4401
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No___

As of January 31, 1992, there were 6,185,431 shares of the Registrant's Common Stock, $.01 par value, outstanding.

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Part I: Financial Information
Item 1: Financial Statements

PACIFIC PHYSICIAN SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	July 31, 1991	January 31, 1992 (Unaudited)
	(In thousands)	
Current assets:		
Cash and cash equivalents	$11,104	$ 6,512
Marketable securities, at cost		15,820
Accounts receivable, net	2,778	4,757
Other assets	1,522	1,464
Total current assets	15,404	28,553
Property, equipment and improvements, net	5,673	8,668
Other assets:		
Restricted cash held for capital projects	2,000	1,678
Notes receivable, net of current portion	901	811
Intangible assets and other	393	4,993
TOTAL ASSETS	$24,371	$44,703

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 1,623	$ 1,966
Accrued compensation	2,587	2,669
Accrued professional service costs--affiliate	2,081	2,574
Claims payable	3,990	4,102
Other payables	1,180	629
Total current liabilities	11,461	11,940
Long-term debt, net of current portion	1,395	1,675
Estimated malpractice liability, net of current portion	2,077	2,487
Deferred income taxes	481	617
TOTAL LIABILITIES	15,414	16,719
Stockholders' equity:		
Preferred stock, $.01 par value, Shares authorized, 10,000,000; none issued		
Common stock, $.01 par value; Shares authorized, 20,000,000; 4,328,400 and 6,185,431 issued at July 31, 1991 and January 31, 1992, respectively	43	62
Additional paid-in capital	3,161	20,511
Retained earnings	5,811	7,447
Unamortized executive stock plan expense	<58>	<36>
	8,957	27,984
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$24,371	$44,703

See accompanying notes

PACIFIC PHYSICIAN SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For the Three Months Ended January 31,	
	1991	1992
	(In thousands, except per share data)	
Operating revenue	$17,403	$23,997
Interest and other income	163	256
Total revenue	17,566	24,253
Operating expenses:		
Cost of affiliated physician services	9,710	12,520
Medical support and administrative costs	6,540	9,408
Depreciation and amortization	250	515
Interest expense	53	51
Total operating expenses	16,553	22,494
Income before income taxes	1,013	1,759
Provision for income taxes	463	807
NET INCOME	$ 550	$ 952
Earnings per share		
Primary	$ .12	$ .14
Fully Diluted	$ .12	$ .14
Weighted average shares of common stock and common stock equivalents outstanding		
Primary	4,579	6,553
Fully Diluted	4,579	6,674

See accompanying notes

PACIFIC PHYSICIAN SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For the Six Months Ended January 31,	
	1991	1992
	(In thousands, except per share data)	
Operating revenue	$34,189	$46,350
Interest and other income	300	424
Total revenue	34,489	46,774
Operating expenses:		
Cost of affiliated physician services	19,182	25,000
Medical support and administrative costs	12,805	17,844
Depreciation and amortization	470	831
Interest expense	107	117
Total operating expenses	32,564	43,792
Income before income taxes	1,925	2,982
Provision for income taxes	869	1,345
NET INCOME	$ 1,056	$ 1,637
Earnings per share		
Primary	$ .23	$ .28
Fully Diluted	$ .23	$ .28
Weighted average shares of common stock and common stock equivalents outstanding		
Primary	4,581	5,777
Fully Diluted	4,581	5,909

See accompanying notes

PACIFIC PHYSICIAN SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended January 31,	
	1991	1992
	(In thousands)	
Operating activities:		
Net income	$ 1,056	$ 1,637
Adjustments to reconcile net income to net cash provided by <used in> operating activities:		
Depreciation and amortization	470	830
Amortization of executive stock plan expense	24	21
Provision for losses on accounts receivable and notes receivable	183	331
Provision for deferred income taxes		395
Estimated malpractice liability	467	95
Net change in operating assets and liabilities	828	<2,340>
Net cash provided by <used in> operating activities	3,028	969
Investing activities:		
Purchase of property, equipment and improvements	<1,241>	<3,277>
Collections on notes receivable	21	114
Increase in notes receivable	<117>	<20>
Restricted cash used for capital project		1.322
Purchase of marketable securities		<15,820>
Purchase of medical groups		<3,880>
Net cash used in investing activities	<1,337>	<21,561>
Financing activities:		
Repurchase of stock	<28>	
Proceeds from public offering		16,351
Principal payments on long-term debt	<87>	<368>
Exercise of stock options		1,017
Restricted cash provided from exercise of stock options		<1,000>
Net cash used in financing activities	<115>	16,000
Net increase <decrease> in cash and cash equivalents	1,576	<4,592>
Cash and cash equivalents at beginning of period	6,820	11,104
Cash and cash equivalents at end of period	$ 8,396	$ 6,512
Supplemental cash flow information:		
Cash paid during the period for:		
Income taxes	$ 852	$ 1,665
Interest	107	117

See accompanying notes

PACIFIC PHYSICIAN SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
January 31, 1992
(Unaudited)

1. Basis of Presentation

The interim condensed consolidated financial statements have been prepared by Pacific Physician Services, Inc. (the "Company") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to SEC rules and regulations; nevertheless, management of the Company believes that the disclosures herein are adequate to make the information presented not misleading. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form S-1, declared effective by the SEC in November, 1991. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the consolidated financial position of the Company with respect to the interim consolidated financial statements and the consolidated results of its operations and its cash flows for the interim periods then ended, have been included herein. The results of operations for the interim periods are not necessarily indicative of the results for the full year.

2. Acquisition of Hauch Medical Group, Inc.

On February 25, 1992, the Company acquired the outstanding shares of Hauch Medical Group, Inc. from Pacific Physician Services Medical Group, Inc. (PPSMG), an affiliate of the Company. The Company has elected to record the acquisition of the Hauch Medical Group assets, including $4,505,290 of goodwill and other intangibles, as of September 3, 1991. Intangibles are amortized on the straight-line basis over the estimated lives of the assets. Goodwill is being amortized over 25 years while other intangibles are amortized over lives ranging from 5 to 10 years. The ongoing Hauch operations have been included with those of the Company since September 3, 1991, as a result of the management agreement between PPSMG and the Company.

The following pro forma financial information (in thousands, except for per share data), sets forth pro forma combined results of operations for the three months and the six months ended January 31, 1991 and 1992, assuming the acquisition had taken place on August 1, 1990:

	Three Months Ended January 31,		Six Months Ended January 31,	
	1991	1992	1991	1992
Total revenue	$ 19,981	$ 24,253	$ 39,320	$ 47,574
Net income	$ 473	$ 952	$ 901	$ 1,610
Earnings per common share & common share equivalents				
Primary	$ .10	$ .14	$ .20	$ .28
Fully Diluted	$ .10	$ .14	$ .20	$ .28

The pro forma information may not be indicative of the results that actually would have occurred if the combination had been in effect on the dates indicated or which may be obtained in the future.

3. Securities issued

The Company completed an initial public offering of common stock on November 18, 1991, in which it issued 1,700,000 shares, and realized net proceeds of $17.3 million after deducting underwriters' commissions but before deducting other expenses of the offering.

On January 24, 1992, pursuant to the Stock Purchase Agreement, dated as of March 21, 1991, Loma Linda University Medical Center ("LLUMC") purchased 149,031 shares of the Registrant's restricted securities at an aggregate purchase price of $1,000,000 or $6.71 per share. Pursuant to said transaction, LLUMC is the beneficial owner of 7.23% of the Registrant's common stock.

4. Marketable Securities

The Company invests in U.S. government and agency obligations. The market value of marketable securities at January 31, 1992 was $15,525,000.

Part I: Financial Information
Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The following table sets forth certain income statement data expressed as a percentage of total operating revenue.

	Three Months Ended January 31,		Six Months Ended January 31,	
	1991	1992	1991	1992
Revenue:				
Operating Revenue	100.0%	100.0%	100.0%	100.0%
Interest and Other Income	.9	1.1	.9	.9
Total Revenue	100.9	101.1	100.9	100.9
Operating Expenses:				
Cost of affiliated physician services	55.8	52.2	56.1	53.9
Medical support & administrative costs	37.6	39.2	37.5	38.5
Depreciation and amortization	1.4	2.2	1.4	1.8
Interest expense	.3	.2	.3	.3
Total Operating Expenses	95.1	93.8	95.3	94.5
Income before income taxes	5.8	7.3	5.6	6.4
Provision for income taxes	2.6	3.3	2.5	2.9
NET INCOME	3.2%	4.0%	3.1%	3.5%

Three and Six Months Ended January 31, 1992
Compared to the Three and Six Months Ended January 31, 1991

Operating revenue increased 37.9% during the second quarter of fiscal 1992 to $24.0 million from $17.4 million in the corresponding quarter of the prior year. Managed care revenue increased 46.9% to $19.1 million in the second quarter of fiscal 1992 from $13.0 million in the same period of the prior year, representing 92.4% of the increase in total operating revenue. The increase in managed care revenue was due to an increase in the number of HMO enrollees to an average of 135,864 in the second quarter of fiscal 1992 from an average of 96,222 in the corresponding period of the prior year, an increase of 41.2%. As of January 31, 1992, enrollment was 137,049, increasing from 99,294 as of January 31, 1991. This increase reflects approximately 17,000 enrollees included due to the inclusion of the Hauch Medical Group, effective September 3, 1991, and approximately 5,000 enrollees acquired through the purchase of Inland Medical Center in November, 1991. Emergency physician services revenue increased 15.4% during the second quarter of fiscal 1992 to $3.0 million from $2.6 million in the second quarter of fiscal 1991. Fee-for-services revenue was substantially the same for the two periods.

Results of Operations

Total operating revenue for the six months ended January 31, 1992 increased to $46.4 million from $34.2 million achieved during the same period in the prior year, a 35.7% increase. Managed care revenue increased 44.4%, from $25.0 million to $36.1 million. The increase in managed care revenue was due largely to an increase in the number of HMO enrollees from an average of 94,096 to an average of 127,520, a 35.5% increase. Emergency physician services revenue for the six months ended January 31, 1992 was $6.4 million, a 16.4% increase from $5.5 million in revenue during the same period in the prior year.

The cost of affiliated physician services increased 28.9% to $12.5 million in the second quarter of fiscal 1992 from $9.7 million in the second quarter of fiscal 1991. For the six months ended January 31, 1992, the cost was $25.0 million as compared to $19.2 million for the prior year, a 30.2% increase. This increase in costs was associated with servicing higher enrollment and patient volume, including that of the Hauch Medical Group. As a percentage of operating revenue, these costs represented 52.2% in the second quarter of fiscal 1992, as compared to 55.8% in the corresponding quarter of the prior year. For the first six months of fiscal 1992 the cost of affiliated physician services was 53.9% of operating revenue, compared to 56.1% in the first six months of the prior year.

Medical support and administrative costs increased 44.6% from $6.5 million in the second quarter of fiscal 1991 to $9.4 million in the second quarter of fiscal 1992. This increase was principally attributable to the expenses associated with the operations of the Hauch Medical Group, and other in-house services associated with greater HMO enrollment. Medical support and administrative costs for the first six months in fiscal 1992 were $17.8 million compared to $12.8 million for the same period in 1991, a 39.1% increase.

On a combined basis, the cost of affiliated physician services and medical support and administrative costs decreased as a percentage of operating revenue to 91.4% in the second quarter of fiscal 1992 from 93.4% in the second quarter of fiscal 1991. For the six months ending January 31, 1992 these combined costs decreased to 92.4% of operating revenue from 93.6% in the prior year. This improvement resulted from increased overall operating efficiencies, including the Company's continuing emphasis on vertical integration and physician productivity.

Depreciation and amortization increased 106.0% from $250,000 in the second quarter of fiscal 1991 to $515,000 in the second quarter of fiscal 1992. For the six months ended January 31, 1992 depreciation and amortization increased to $830,000 from $470,000 in the prior year, a 76.6% increase. This increase was principally the result of the amortization of intangible assets acquired through the Hauch Medical Group affiliation and purchases of property, equipment and improvements of approximately $3,277,000.

Liquidity and Capital Resources

The Company believes that the net proceeds of its public offering in November, 1991, and existing cash balances, together with internally generated funds, will be sufficient to finance the operations and planned expansions through at least the end of fiscal 1992.

Exhibit 11

PACIFIC PHYSICIAN SERVICES, INC.
COMPUTATION OF EARNINGS PER SHARE OF COMMON STOCK
(In thousands, except per share amounts)

	Three Months Ended January 31,		Six Months Ended January 31,	
	1991	1992	1991	1992
Primary Earnings Per Share				
Weighted average shares outstanding	4,449	5,860	4,451	5,095
Dilutive shares issuable upon exercise of stock options	130	693	130	682
Primary weighted average shares of common stock and common stock equivalents outstanding	4,579	6,553	4,581	5,777
Net income	$ 550	$ 952	$1,056	$1,637
Earnings per share - primary	$ 0.12	$ 0.14	$ 0.23	$ 0.28
Fully Diluted Earnings Per Share				
Weighted average shares outstanding	4,449	5,860	4,451	5,095
Dilutive shares issuable upon exercise of stock options	130	814	130	814
Fully diluted weighted average shares of common stock and common stock equivalents outstanding	4,579	6,674	4,581	5,909
Net income	$ 550	$ 952	$1,056	$1,637
Earnings per share - fully diluted	$ 0.12	$ 0.14	$ 0.23	$ 0.28

Part II: Other Information

Item 1: Legal Proceedings

None

Item 2: Change in Securities

None

Item 3: Defaults Upon Senior Securities

None

Item 4: Submission of Matters to a Vote of Security Holders

None

Item 5: Other Materially Important Events

None

Item 6: Exhibits and Reports

(a) Exhibit 11 - Computation of Earnings per Share of Common Stock

(b) No reports on Form 8-K were filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PACIFIC PHYSICIAN SERVICES, INC.
(Registrant)

Date: 1/31/92 By: _____
Gary L. Groves, MD,
President

Date: Mar. 12, 1992 By: _____
Carol R. Lyons, CPA,
Vice President and Controller